

CHAIRMAN BIBLE: The last presenter today will be Mr.

Mike Belletire, who is the Administrator of the Illinois Gaming Board and he appeared before the full Committee, I believe, when we met in Chicago. I understand that you also are going to make a presentation to the full Commission tomorrow.

And by way of introductory comments, I'd asked Mike, who I've worked with on a professional basis in my former capacity as Chairman of the State Gaming Control Board in Nevada, to gather some of my former colleagues, his current colleagues in the State Gaming Regulatory Agencies and prepare a position-type paper that would incorporate what they would see collectively as the elements of good state regulatory practice. And so with that introduction, I will turn it over to Mike and ask him to tell us about the results of his study, I guess, you would call it.

MR. BELLETIRE: Okay, well thank you, Mr. Chairman and Commissioners. I'm pleased to be with you today and pleased to have been asked to take on this assignment. That's something that the states collectively, while they are not acting in their official capacity as state regulators, I think enjoyed the opportunity to deliberate. We learned a little bit about one another.

And this had a positive effect, I think across the states in bringing to focus what I think was not always understood, which is why are we doing these things and how much of what we do is geared towards the commonality, how much of the commonality that we have in purpose is approached in different ways. And I think that's part of what we learned.

Let me first comment, if I can on your first agenda item and that is to simply say that from a regulatory point of

1 view, it seems to me that this Internet issue is going to be a
2 lot like a lot of the things we do regulatorily. Which is there
3 is no silver bullet. There is, simply speaking, a series of
4 barriers, hurdles and issues that you create that make it more
5 and more difficult to do things improperly.

6 And you ultimately have to have some hard- nosed
7 accountability over somebody in the process or you'll never get
8 it to work. So it seems to me there isn't a simple or singular
9 answer here on enforcement or even legality, but rather a series
10 of things that make it difficult for parties to participate in
11 the process. And you need to balance that with all of the
12 parties. So for example, as we suggested maybe not allowing,
13 maybe not allowing credit card companies to be able to enforce
14 gambling debts would be an effective way of retarding their
15 interest and further than that, it would be a very effective way
16 for a gamble to get redress.

17 You know, you fool, if I can get through it now, the
18 next question is should the gambler be allowed to gamble? So
19 that in effect, it becomes a self-enforcing mechanism, which is
20 when you tell your credit card company, I'm not paying, now
21 you're admitting to your own illegality.

22 CHAIRMAN BIBLE: Well, if you criminalize it in a
23 federal court you'd have a problem.

24 MR. BELLETIRE: All right, so, I mean so I think you
25 have to think through and your staff needs to think through, in a
26 logical way, the assumption that whatever it is somebody is going
27 to find a way to beat that system.

28 CHAIRMAN BIBLE: Sure.

1 MR. BELLETIRE: So therefore it isn't foolproof. But
2 much along the lines of what we have done over the years and Bill
3 is familiar with this, fine. We told you what we wanted you to
4 do, you found the loophole in it, now we're telling you this
5 loophole is gone. And that's what we've done from a regulatory
6 point of view. You don't like it this way, fine. Now we'll stop
7 you from doing that.

8 So whether it's through fines or progressive
9 disciplinary relief, we've detected problems and the smart guys
10 get out of it. The guys who want to finagle, all we have to do
11 is keep going further and further and further. So I don't think
12 there's an overall solution. I think Dr. Moore's observation
13 about, if there was a way to take each wager that was won, I mean
14 the classic casino argument is, well we can't be responsible for
15 each wager won and reporting that to the IRS.

16 And I think that's very legitimate. On the other
17 hand, what you're dealing with here is a computer which simulates
18 activity and clearly keeps a record. So each wager won is
19 technically a taxable event. I don't know whether that, but any
20 number of these weapons it seems to me that are thrown out there,
21 will create the right message. Which is if you do this, it's
22 wrong and there may not be a simplified way to call it illegal,
23 but there are any number of traps.

24 So I encourage you, from our regulatory experiences,
25 to think in a multiplicity of directions, not in the same one.
26 Let me go back to the purpose for which I was invited and comment
27 to you that we have provided the staff and Chairman and members
28 of the Commission with a paper which I guess for want of a better

1 description, I am described as the principle author. And what
2 occurred process-wise was this. I called up several legislators.

3 We all happened to be out in, regulators rather. We
4 all happened to be out in Nevada in January at a conference and
5 we got together for an afternoon. And we sat around and had a
6 round-table discussion. There was a preliminary draft of this
7 paper that was circulated before that meeting and people, just in
8 round-table, went through this from that point in time. And
9 Steve Ducharme, who took Bill's position as Chairman.

10 And Dennis Nylander from Nevada were participants.
11 Other Mississippi, Missouri, Illinois and Colorado were also
12 represented at that.

13 CHAIRMAN BIBLE: And New Jersey.

14 MR. BELLETIRE: And New Jersey were also represented
15 at that session. That group of people then made contributions to
16 this. The paper was revised, added to and then that paper was
17 sent then to all, not only those states, but to the Chief
18 Regulators in all of the other states that have any level of
19 visible operating casino gambling. We didn't, for example, go to
20 California or to some of the smaller western states that have,
21 and South Dakota which has casino gambling.

22 We did not incorporate them simply by virtue of, you
23 know, the time frames we operated under. We were looking at
24 about a month and a half time frame to try to get something put
25 together for this Commission. So I don't think --

26 MR. MCCARTHY: How many states did you end up getting
27 to?

28 MR. BELLETIRE: Ten. Ten states that operate casino
29 gambling.

1 MR. MCCARTHY: But then you said you sent it out to
2 some other states.

3 MR. BELLETIRE: No, collectively we added to the
4 original states that I named, Indiana --

5 MR. MCCARTHY: Okay.

6 MR. BELLETIRE: -- Iowa and Louisiana.

7 MR. MCCARTHY: Okay.

8 MR. BELLETIRE: So we, and Michigan. Although
9 they're --

10 MR. MCCARTHY: Not operational yet.

11 MR. BELLETIRE: Yeah, they're not operational. But
12 what I was trying to do was to keep it to those states that had
13 large scale casino gaming operations as opposed to Indian gaming
14 issues. And the experiences of the states with Tribal gaming.
15 Which, early on I talked to the Chairman and I think the states
16 are in a very difficult position to start talking about what we
17 think Tribal gaming regulation ought to be.

18 Because we don't have that, and the people who tend
19 to deal with Tribal gaming at the state level, are really not
20 necessarily regulators. They tend to be the tax people, for the
21 most part. And in some instances they are trying to do a
22 secondary regulatory function. But we didn't get into that area,
23 by design I guess. Partly again because we have a limited time
24 and a limited agenda. The audience I think, I think there's two
25 purposes to this paper, as I see it.

26 The first is to say that, to send a message that the
27 states that are regulating casino gambling believe that it can be
28 done responsibly and don't believe that the Congress and the
29 United States ought to be stepping in and deciding how to, how to

1 take something which the states are properly regulating, in our
2 judgement, and supersede state authority.

3 So in part the state is erecting, out of an attempt
4 to say to Congress, we're doing these things, you ought not to.
5 The second message I think is that from the standpoint of the
6 states to themselves, there are other states out there which
7 might want to consider legislating casino gambling. And rather
8 than weigh in on the question of whether that's a good or a bad
9 idea, what this paper attempts to do is to say, if you're going
10 to consider legislation, here are the elements that need to be
11 given serious consideration for what is in your best interest.

12 What are the collective comments, experiences and
13 observations of the states.

14 MR. MCCARTHY: Now all of these states that you've,
15 they are charged under state law in their respective states as
16 only to regulate casino gambling?

17 MR. BELLETIRE: Not exactly. I know for example in
18 the state of Iowa, that is a Racing and Gaming Commission, so
19 they regulate race tracks.

20 CHAIRMAN BIBLE: In Nevada the agency --

21 MR. BELLETIRE: In Nevada --

22 CHAIRMAN BIBLE: -- they regulate racing.

23 MR. BELLETIRE: Right.

24 CHAIRMAN BIBLE: Not much, but some racing.

25 MR. BELLETIRE: Right. And, but in Maine, these are
26 single purpose entities. Almost all of the states have a
27 separate regulatory -- none of them, for example, are in any way
28 involved in the state's lotteries, for example.

1 CHAIRMAN BIBLE: Well, and Dr. Morris stated a good
2 example where they initially had the agencies in the Revenue
3 Department.

4 MR. BELLETIRE: Right.

5 CHAIRMAN BIBLE: They moved it out as a stand alone
6 agency.

7 MR. BELLETIRE: Some of the states do have, they've
8 created a fusion of staff interests although they have a separate
9 Commission. So that you get some states that have their Attorney
10 General's office have a branch that may in fact handle other
11 issues of a gambling nature, but serves the gaming authority as
12 their counsel.

13 MR. MCCARTHY: And was it in those few states, and I
14 don't spend as much time on this as Mr. Chairman. In those few
15 states, are the set of fundamental needs to have a good state
16 regulatory scheme over casinos, do they in the main carry over
17 to, say, horse racing or some other form of gambling? Private
18 sector.

19 MR. BELLETIRE: It varies from state to state. I can
20 share with you the Illinois experience. Much of what is in our
21 Act, actually started out in our Horse Racing Act. The integrity
22 issues, the investigative authority. While it was assigned
23 differently to our Racing Board and we still do have a separate
24 Racing Board, the words themselves, character, integrity,
25 background, you know the kinds of phraseology that is in our Act
26 that suggests that we're looking to see that the people are
27 suitable for involvement, was borrowed in many instances from
28 racing legislation.

1 That's true in Illinois. I think several of the
2 other states don't even have racing, however. I don't believe
3 the state of Mississippi has horse racing. I don't believe the,
4 there's only one race track in the state of Indiana and that got
5 started after casinos did, I believe. So it's considerably
6 variable.

7 The, much of what we've tried to do here is to avoid
8 being overly -- we left things without saying, this must be done
9 or this is the right way to do it. Partly because the states'
10 experiences were diverse. At the end we make a comment that
11 perhaps should have been made at the beginning. Because, and
12 Commissioner McCarthy alluded to this earlier. It, we're not
13 trying to hide from this either. The state of Louisiana has
14 corruption in its casino operations.

15 And may have in other areas as well. There are now
16 five people under indictment and a number of people have pleaded
17 guilty to in effect funneling monies to public officials and
18 intermediaries. Whether those public officials are guilty or not
19 is up to the courts to decide. But there is no question that it
20 involves the gambling industry.

21 The reality is that nothing about their statute,
22 nothing about their framework even, would have allowed it. And
23 so it is fundamentally true that you can write the statutes as
24 tough as you want, there are probably some things that are in
25 this paper that you probably ought to put in and Louisiana didn't
26 have in. But still is a person business. It is still not
27 accepting the climate. And it is still, and putting the
28 authority in people's hands and holding them accountable for that
29 authority and the individuals accountable.

1 That is the only way to enforce this. And I wouldn't
2 care if there was one national Bill. There would be, I don't
3 want to disparage IGRA, but when you wait ten years, when the
4 national, when the federal government waits ten years to have it,
5 to put out minimum internal controls for tribal casinos, that
6 tells you something about where the priorities aren't as far as
7 controlling and regulating gambling. So here you've got a
8 federal entity that waits a decade to put out what we had to put
9 out before we even issued licenses.

10 CHAIRMAN BIBLE: Or opened the first game.

11 MR. BELLETIRE: It just, and so the point is that you
12 can create a body. You can create high sounding law and action
13 and if you don't put in charge people who understand that they're
14 out there to protect the public and the interest of their
15 government in authorizing this illegal activity. And expect from
16 them the intensity that goes along with it.

17 And the logic that goes along with that, it isn't
18 going to work. So the Louisiana issue underscores, I think, not
19 that states can't handle this, but that any state, if it doesn't
20 handle it properly by the people it appoints and by the actions
21 that they take, could have a problem. I don't think the other
22 state experiences have been, suggest that any state is missing
23 something fundamental. I think the heart of the message that, in
24 terms of the differences in the states, is how do the states
25 themselves approach the concept of limiting gambling.

26 Or of regulating it from a philosophical point of
27 view. Illinois is the best example of a state that limits
28 gambling. What we do is, we not only say there's only ten
29 licenses, we make them operate as river boats. We limit the

1 physical places they can be, not only to water but to certain
2 areas of the state that don't even allow it. So Cook County and
3 Chicago do not allow, we do not allow a license to operate there.

4 And further than that, no matter how big a boat you
5 have, you can only have 1,200 gambling participants at any point
6 in time. So our legislature, whether wisely or otherwise,
7 decided that we're going to try this and we're going to do it by
8 limiting it. Mississippi took pretty much the Nevada approach.
9 They added a little water to it, but basically it's whoever can
10 come in and satisfy the basics of their integrity and the
11 finances that are necessary to open up can open up.

12 And competition itself tends to be the driving force
13 as to what, as to what it is that you are regulating. And you
14 watch people go out of business if they don't run the business
15 well. In Illinois, that's not the case. We have --

16 MR. MOORE: Can I comment on that?

17 MR. BELLETIRE: Yes.

18 MR. MOORE: Mississippi, we have a Governor that no
19 one thought would ever be elected. He was not a politician, he
20 was an Engineer, had an engineering company along the river of
21 Mississippi. And so how or another he got elected. And when he
22 was, he ran against, his platform was no gaming in Mississippi.
23 But of course the legislature, and they never did go to a vote to
24 the people, the legislature passed this with a referendum or
25 whatever you call it of waterfront gaming as he alluded to.

26 And so what's happened there is when it came to the
27 licensing, he took and probably appointed the best Board that
28 he's ever appointed at that time. And he took the, he took the
29 position of the American way. We're not going to limit them. If

1 they can come -- but we're going to regulate them. If they can
2 come in and if they got, if they can go through the checks, if
3 they've got the money and if they want to put a boat there, we'll
4 give them a license.

5 And he sort of laughs and says, it's just like in the
6 construction people, business, it will be survival of the
7 fittest. And we've had some that's gone under.

8 MR. BELLETIRE: And I guess the point that I was
9 making, Commissioner, is that we're, if you contrast that with
10 Illinois or even with Louisiana --

11 MR. MOORE: Right.

12 MR. BELLETIRE: -- where there are a limited number
13 of licenses, the kind of corruption that you find is what goes
14 on, what went on or what has been alleged to go on in Louisiana.
15 Which is, I'll let you have a license -- it's political insiders
16 that get involved in the granting of the license. Not
17 necessarily to disreputable individuals, but in exchange for
18 consideration.

19 Now if you don't have to, if all you have to do to
20 open up is fundamentally be a straight arrow, pass through the
21 suitability process and have the money and the site, you're less
22 likely to have to pay some politician to get there. But that is
23 what, that is, that's separate from just keeping casinos honest.
24 The frank fact of the matter is, casinos will tend to stay honest
25 over time with good regulation.

26 And they're, they can make a lot of money if there's
27 only a handful of them anyway. So once you've got a license in
28 Illinois, there is absolutely no incentive to start cheating, to
29 start skimming, because it is too lucrative to skim. I mean you

1 are making too much money. Now, and so there is very little
2 incentive for people to not play a fair game, I guess you'd say
3 and to not pay their taxes, even as high as they are in Illinois.

4 I might point out that the average tax rate in
5 Illinois and Indiana on the dollar won by the casino is about 33
6 percent. The various taxes that get layered on, state and local.
7 So out of every dollar the casino wins, 33 percent of it goes
8 into the, to state or local government in both Indiana and
9 Illinois. We're the highest two jurisdictions, I think. And
10 those are effective rates. We generated 337 million dollars last
11 year in gambling taxes. And Indiana has about a like number.

12 And all of our casinos, save for one, remain
13 profitable to spite a very heavy tax rate. They all remain
14 profitable. In short, there's money to be made in casinos run
15 well, when there's limited licenses. And that's what puts a
16 premium on these licenses. And that's why safeguards ought to be
17 there statutorily. If you're going to say, we're going to limit
18 this, there needs to be statutory safeguards as to the
19 expectations about how a license is awarded.

20 We've, the paper has suggestions on elements that
21 ought to be there. Having said that, I'll just return to what I
22 said, which is we can, you can put it in the law but if people
23 don't follow it, it isn't going to change. The local governments
24 can honestly be the biggest source of problems. The local Mayor,
25 who's brother owns something that gets involved and they cut a
26 sweetheart deal. That's happened. We took a pretty, we were
27 very fortunate.

28 Nobody knew this was going to be this successful when
29 we got started. And so there were very few sweetheart deals or

1 other kinds of inside -- in fact, literally, the guy that was my
2 predecessor literally went to gambling companies in Nevada and
3 begged them to apply in Illinois. Most of them didn't. Most of
4 what we got started were small, successful businessmen from other
5 businesses in Illinois.

6 Eventually they got bought out by larger casino
7 interests. So we got, we were fortunate. Nobody realized how
8 lucrative this was. Indiana and Missouri had more problems
9 because they followed us and followed some of our success. And
10 what they got involved in were more serious bidding wars and
11 problems involving local units of government and local officials.
12 And they had more difficulty in making their decisions. It took
13 them longer to make some of their decisions as a result.

14 MR. MOORE: How do you make a decision when you have
15 ten licenses. I mean, you know, like I already knew, I'm so
16 smart, I already knew that LA was going to get the expansion and
17 Houston wasn't going to get it. So how do you determine who gets
18 these licenses?

19 MR. BELLETIRE: Well we had, the last license that we
20 awarded had four competing applicants.

21 MR. MOORE: Okay.

22 MR. BELLETIRE: They had four physically separate
23 sites. Our law, and this gets --

24 MR. MOORE: They had four different sites?

25 MR. BELLETIRE: They had four, physically different
26 sites. Our law provided some guidance to our Board. It asked
27 for revenue, maximizing revenue to the state, having a position
28 effect on economically depressed areas and a level of experience
29 in gambling operations that, in effect, warranted success and a

1 financial means. And those became the primary criteria that went
2 into the decision and ultimately this is the last site chosen
3 from among those four competitors was the most economically
4 depressed community, Elgin, Illinois.

5 It is now the home of the most successful casino,
6 non-travel casino in America, the Grand Victorian, which
7 generates about 250, it's a single operation, 1,200 position,
8 generates 250 million dollars worth of casino-only revenue.
9 Which puts it on a par with the Mirage, basically, I would say.
10 And it's 30,000 square feet.

11 MR. MOORE: And that's a boat?

12 MR. BELLETIRE: And it cost 100 million dollars, the
13 whole thing. They had their money back in 12 months.

14 MR. MOORE: So you was correct when said there is
15 profit in gambling?

16 MR. BELLETIRE: Yes, I'm sure of that. There's
17 profit in exclusivity. There's profit in exclusivity. And I
18 think that that level, that exclusivity drives and motivates
19 people. And the industry should also be admonished because the
20 industry played as much a part in letting Louisiana happen as
21 Louisiana did.

22 MR. MOORE: But it's been happening a long time.

23 MR. BELLETIRE: In, I'm not --

24 CHAIRMAN BIBLE: Well, what I saw is that part of the
25 problem down there was the local partnering aspects of them all.

26 MR. BELLETIRE: Yeah.

27 CHAIRMAN BIBLE: Where you had to have a local
28 partner.

1 MR. BELLETIRE: Yeah, but casino CEO should not allow
2 themselves, ask Skip Evans, you know, what he would not do in
3 retrospect.

4 CHAIRMAN BIBLE: He's in Missouri.

5 MR. BELLETIRE: Yeah.

6 CHAIRMAN BIBLE: I understand.

7 MR. BELLETIRE: I mean they should not allow
8 themselves to be extorted. And they should be prepared to walk
9 away and to say, if this is the only way we're going to make
10 money, that is to take care of somebody's brother-in-law and to
11 do this and to make the under-the-table payments or commitments
12 to future payments or in effect wink or look the other way when
13 somebody says, don't you need legal services and why don't you
14 just give me \$250,000.00 a year and I'll pay for those services
15 or I'll take care of you.

16 And you have to go out and hire lawyers to do the
17 legal work. I mean those are, no responsible business executive
18 should allow himself to be put in those positions because he
19 knows exactly what he's doing and that's the position that our
20 Board is taking. And as we scrutinize some of the companies that
21 are in trouble in Louisiana are in trouble in Illinois because we
22 say their license should be jeopardized over what we, how they
23 behave as a corporation irrespective of whether it's against the
24 law in Illinois or not.

25 MR. MCCARTHY: Do Governors generally, in all the
26 states that you're aware of, appoint the members of the
27 Regulatory Commission?

28 MR. BELLETIRE: Yes, yes.

1 MR. MCCARTHY: So the legislatures in any of those
2 states, they don't say, well, we want half or we want a third?

3 MR. BELLETIRE: No.

4 MR. MCCARTHY: Because they do in some other
5 Commissions, as I'm sure you are aware of?

6 MR. BELLETIRE: No, that's --

7 MR. MCCARTHY: So in this instance, if the Governor
8 is, has the character to stand up to unsavory influence, somebody
9 wanting to buy their way in, he'll appoint people to these Boards
10 that will be of like mind. And will prevent that kind of thing.

11 MR. BELLETIRE: I think that's certainly been the
12 experience in the midwestern jurisdictions. I can speak most
13 carefully for that. I can't tell you that much about Mississippi
14 or Louisiana, historically, in terms of their view of this. I
15 think Nevada is a good example though of -- I think the other
16 thing is that we're young enough in this experience that we still
17 have an attitude.

18 That is to say that we're not quite as -- did you,
19 let me contrast it. If you go to our Racing Board, you will find
20 our Racing Board much more of an advocate for the racing industry
21 and a much more pliant body with regard to what's regulatorily
22 necessary. They have a 70 year history in our state.

23 CHAIRMAN BIBLE: Well, they tend to be promoters.

24 MR. BELLETIRE: They tend to be those that are
25 promoting the industry and Governors tend to appoint people with
26 an interest in the industry's success.

27 MR. MOORE: Well that's what we have to be careful
28 about.

1 MR. BELLETIRE: And so what I'm saying to you is that
2 so far the experience in Illinois, Indiana, Missouri and Iowa
3 even, in particular, is sort of a tight, tough attitude on the
4 part of the appointees.

5 MR. MCCARTHY: Is that characteristic across the,
6 we're finding in the instance of state-run lotteries, for
7 instance, that they are far more promotional than they are
8 regulatory.

9 MR. BELLETIRE: That's correct. In the instance of
10 Regulatory Commissions --

11 MR. MOORE: What did you say? In what?

12 MR. MCCARTHY: Far more promotional than they are
13 regulatory.

14 MR. MOORE: In lotteries?

15 MR. MCCARTHY: In the instance of State Commissions
16 that are supposed to watch what casinos are doing to make sure
17 they're a clean operation and they're not cheating the public,
18 etcetera, etcetera and they don't traffic with organized crime,
19 as historically in some states they did. You're saying they are
20 essentially regulatory. That any of the big states, there is ten
21 or 11 states that have the bigger, non-Tribal casino operations,
22 but they're regulatory.

23 MR. BELLETIRE: Yes. I will say this, that there are
24 degrees and differences among the states. Missouri, for example,
25 has been criticized on occasion by those with, and Tom Gray for
26 example, for being too advocacy-oriented in their work now. And
27 I'm going to share with you what they've done.

28 MR. MCCARTHY: Advocacy --

29 MR. BELLETIRE: They have taken --

1 MR. MCCARTHY: Pro-industry.

2 MR. BELLETIRE: They have taken a position that the
3 \$500.00 loss limits that are a part of Missouri law, that is you
4 can't lose more than \$500.00 in a casino in Missouri, are
5 counterproductive and hurting the state and hurting their
6 industry. The Regulators took that position. That becomes
7 controversial. And so Tom Gray has labeled them an advocacy
8 group. Our Board has been anything but advocacy and we've been
9 pretty much straight and narrow regulatory and have not done
10 anything to, what I would call, promote in the least gambling
11 activity.

12 I think you get a different level of experience as
13 well, again, with time. Nevada's experience over the last 40 or
14 50 years has been an evolving one. And frankly things that are
15 acceptable and tolerated in Nevada, while they are not
16 promotional, just won't be accepted in Illinois. In short, the
17 intensity of that regulatory experience does vary from state to
18 state.

19 New Jersey has moved away from being, sort of the
20 hard-nosed, put an internal control on everything that moves and
21 license a whole lot of entities, to a more friendly state. And
22 in the process, I think has changed their attitude towards
23 gambling and regulation. They have really tried to say they are
24 a little bit more open and they are encouraging a development now
25 more so than they had been during the 1970's and the early '80's,
26 I think.

27 So it's a, it differs. But the midwestern states,
28 with the exception of what I alluded to in Missouri, are pretty
29 much not pro, promotionally oriented.

1 MR. MCCARTHY: Now I do get your point very clearly
2 that it's certainly not enough to have a series of laws and
3 regulations based on those states, the spirit in which they are
4 enforced. It's the whole tone without necessarily being harshly
5 antagonistic, yet clear in what the law is and clear in how
6 you're going to see this enforced. That is critical. I had just
7 a couple of other thoughts, Mr. Chairman, if I may.

8 CHAIRMAN BIBLE: Sure.

9 MR. MCCARTHY: I really thought the paper was a very
10 good piece of work and it is well organized and it really gave me
11 the tone of what's happening. So thank you for doing all this
12 work. I thought when you got to problem gambling and I guess
13 it's because most of the state regulatory commissions on casinos
14 aren't really into that, that that was a bit soft, that area.

15 But then I'm not sure I would expect you to have a
16 lot to say on problem gambling because frankly most of the states
17 aren't doing much of anything on problem gambling. And I don't
18 think it's particularly in your regulatory agency anyway. I
19 think that's probably somewhere else, maybe a little bit more
20 appropriate. I don't know. That's something that I'd like to
21 hear more conversation about.

22 But I wanted to get to a point that I had mentioned
23 to the Chairman a little bit before we began. Your comments
24 about, about alternate (non- casino) settings. We've been trying
25 to get a handle on states like South Carolina and there are
26 several more states like that that have an abundance of video
27 poker machines, other devices in restaurants and convenience
28 stops and so on to, you know, at least have some grasp on what's

1 happening there and what we should be seeing in the final report
2 about those.

3 Now you said you didn't contact any of those and I
4 can understand why you wouldn't. But I'm wondering how fair and
5 reasonable it is to take most of the requirements that the busy
6 casino, non-travel casino states that you've had and the Chairman
7 originally at the time stamped out the questionnaires I'd like to
8 send out. But I'm thinking I'd like to send a questionnaire to
9 those six or seven or eight states Governors with a lot of and
10 I'm not asking you to offer this.

11 And I know, I know regulators in one state are loathe
12 to tell another state what to do and they all dance around that
13 very politely. And I understand that, that's peer protocol. But
14 I'm thinking that, I'm not even sure the Chairman would want to
15 offer that --

16 CHAIRMAN BIBLE: That sounds like a research project
17 to me.

18 MR. MCCARTHY: Well, it might come out of the
19 research Subcommittee, guided by some of the work that we've been
20 presented with here in this Subcommittee. But it would seem to
21 me that regulation is so loose in some states that maybe
22 relatively small today in how much casino-type machine revenue
23 they are generating, but could be very big. And South Carolina
24 is a pretty good example of that. It could be very big in
25 another five years.

26 So trying to ask that and obviously any Governor we
27 would send this to could say, hey, this is my business, that's
28 why they elected me here. Well, fine, then we could put it in

1 the report that they didn't want to answer these very simple
2 questions, they didn't cooperate.

3 CHAIRMAN BIBLE: Well, the question becomes more
4 complicated when you take a look at the term gaming device.
5 Because the term gaming device includes a lottery terminal in
6 most instances. So while Mike will say that they don't have the
7 problem in Illinois, people that live in Illinois --

8 MR. BELLETIRE: We have the problem in Illinois.

9 CHAIRMAN BIBLE: -- you're going to find lottery
10 terminals all over the place.

11 MR. BELLETIRE: Well, it's not only that, but we do
12 have a problem in Illinois and we have Gray machines.

13 CHAIRMAN BIBLE: You have a lot of Gray machines?

14 MR. BELLETIRE: Sure, VFW Halls and American Legion
15 Posts, you go into the bar and right behind the bar there might
16 be 25 of these machines and the local sheriffs are going to let
17 them sit there and do it. And they have, and they wager money on
18 these things. And it's known and it's illegal.

19 CHAIRMAN BIBLE: Do you have any enforcement --

20 MR. BELLETIRE: No, no.

21 CHAIRMAN BIBLE: So that's --

22 MR. BELLETIRE: That's a state, that's a Sheriff's
23 responsibility in the county and Police Chief's responsibility in
24 the city and the State's Attorney responsibility to prosecute.

25 CHAIRMAN BIBLE: Are you looking into a law
26 enforcement issue?

27 MR. BELLETIRE: Yes, we are. And when we find it, we
28 report it.

29 CHAIRMAN BIBLE: But you can't take action yourself?

1 MR. BELLETIRE: We've chosen not to because if we
2 started responding to all of that, number one, we'd have
3 jurisdictional issues. And the Sheriffs and the police guys
4 would go nuts with this simply because we would be -- this stuff
5 doesn't go on without local officials accepting it to some
6 extent. And therefore we'd be, we'd be stepping on, we'd be
7 stepping on some toes. And we don't need, I mean we're bringing
8 in 337 million dollars a year to the state of Illinois and we
9 think that it requires all of the energies we have to make sure
10 that that's --

11 MR. MCCARTHY: Well, I know that that's not up to you
12 to call, but there could be a lot of bad stuff happening out
13 there.

14 MR. BELLETIRE: Sure.

15 MR. MCCARTHY: Nobody is shining a light on it.

16 MR. BELLETIRE: No, and to be honest with you, I think it's close
17 to the Internet question, which is why in the world should these
18 things exist? Why should this, why should this be? If casinos
19 can be well regulated and the ownership investigated thoroughly,
20 why in the world should we have every little dime store or every
21 little bar have gambling devices. In Illinois anyway, as a
22 matter of public policy, we don't want that. And Nevada does,
23 though.

24 CHAIRMAN BIBLE: But you have them though.

25 MR. BELLETIRE: But we have them and they are
26 tolerated.

27 CHAIRMAN BIBLE: They are completely unregulated.
28 Because you are going to find like some states, like Oregon has
29 convenience devices scattered throughout the state in a number of

1 locations. They are all on line, they are subject to on line
2 monitoring. They are controlled by the state --

3 MR. BELLETIRE: And that's what you need to do.

4 CHAIRMAN BIBLE: The same thing is done in Louisiana
5 or Louisiana cuts stops in terms of raising the accountability
6 aspects. Now where are they making, maybe a different decision
7 in terms of owner suitability and things of that nature, but some
8 states and you used the example of South Carolina. And there was
9 just a fairly large article in USA Today and they are virtually
10 unregulated. The Governor was elected supporting the
11 continuation of those devices but indicated he favors the
12 regulatory approach.

13 I just wait to see what actually emerges from --

14 MR. MCCARTHY: Thirty thousand outlets in South
15 Carolina.

16 MR. BELLETIRE: Well, it's a nightmare. And without
17 a central computer system to hook them up like lotteries do, I
18 mean all the lottery terminals in Illinois and in every
19 jurisdiction, virtually, are all hooked into the same master
20 computer and they are all constantly monitored for activity. And
21 there are various integrity checks within the lottery computer
22 system itself. So you can't buy a lottery ticket in Illinois, a
23 lotto ticket in Illinois without a record being created as to
24 what, what number you got.

25 And who's, and what outlet sold it to you. And they
26 are all on line and they are all constantly monitored. Now if
27 you don't do the same thing --

28 CHAIRMAN BIBLE: But you can be 12 years old.

1 MR. BELLETIRE: Yeah, that's true. If you don't do
2 something similar to that with regard to trying to regulate ten,
3 12, 15, 30,000 outlets or devices in thousands of outlets, you
4 run the risk, number one, of unscrupulous activity. And number
5 two, of a kind of, well, my personal beliefs, and this is
6 personal, is that this is addictive activity and that it is
7 dangerous.

8 MR. MCCARTHY: Slot machines --

9 MR. BELLETIRE: I will relate to you what my
10 Governor, my former Governor, said to me when I was on his staff
11 and he was asked by the coin operators to legalize these things.
12 And he, they presented a paper about the illegal, the gray area
13 stuff and you could tax this and here's how much it would be
14 worth and it would be run with integrity and we'll submit to any
15 regulatory requirements you want.

16 And he said to me that he personally -- I said, you
17 know, I said, he says, I don't want anybody losing their
18 paycheck. And I said they can lose their paycheck now. And he
19 said, you know what, but I go to sleep at night knowing I didn't
20 let them. And so his attitude was that there are some things
21 that a politician can't prevent, but once you lend your name to
22 them, you are a part of them.

23 Once you say, we can regulate it, you've made it a
24 threshold decision. And I think for him the threshold decision
25 was, I don't want somebody losing their paycheck in some machine
26 sitting there. And he's prepared to distinguish that from the
27 casino environment. He was prepared to, because as he said, we
28 limit the access to casinos. We do have more controls. And if
29 over time, by concentrating the activity there, we can find out

1 that there are too many people with a problem, then we can decide
2 as a matter of public policy whether to shut it down or not.

3 But once you spread this out to 15 or 20,000 liquor
4 establishments in the state, you'll never get rid of it.

5 MR. MOORE: As a regulator, don't you believe that if
6 a state legalizes gambling, don't you think that that state then
7 should take a stronger stand than it would ever take to make sure
8 that there was no illegal gambling? These gray machines, I
9 believe that the state of Illinois or the state of Mississippi
10 ought to go after these illegal machines. If they are at the
11 VFW. I came, I come from a state that had a lot more gambling
12 and liquor and all of that before we finally legalized liquor.

13 We was one of the last states in the Union to
14 legalize liquor, along with Oklahoma. And it just seems to me
15 that once you legalize it, well hey, we need to go get those, we
16 need to go get them. Let those people -- and I know that I have
17 friends that go to the VFW and they see all and have their steaks
18 and their liquor on Friday night and I might go with them. And
19 there are slot machines at certain areas.

20 MR. MCCARTHY: I come from a state with a lot of
21 sinners.

22 MR. MOORE: That's right.

23 MR. BELLETIRE: I can only tell you that the biggest
24 gambling scandal in Illinois is something that the state of
25 Illinois couldn't do much about. The most recent biggest
26 gambling scandal and that was Northwestern's University betting
27 scandal. There is nothing that anybody in Illinois wanted to
28 make legal about that and there was not very much the state of

1 Illinois, as a whole governmental body, could have done to
2 prevent it.

3 CHAIRMAN BIBLE: I understand you are going to
4 provide testimony to the full Commission tomorrow?

5 MR. BELLETIRE: That's my understanding. I was going
6 to talk to --

7 CHAIRMAN BIBLE: The same, same sort of thing?

8 MR. BELLETIRE: Yeah, I was going to be a little more
9 parsimonious and focused.

10 CHAIRMAN BIBLE: Okay. Well, I personally appreciate
11 the work you've done.

12 MR. BELLETIRE: Well, thanks.

13 CHAIRMAN BIBLE: I think it's very helpful to give us
14 a foundation as we go forward with another chapter on regulation
15 that hopefully we'll get crafted before we employ it.

16 MR. BELLETIRE: Well, if I can do some follow up,
17 although I'm not likely to be -- I am leaving my position
18 sometime within the next 45 days. So, but I'll, from the
19 distance if I can be of help, I'd be happy to.

20 CHAIRMAN BIBLE: Okay. We appreciate your
21 assistance.

22 MR. BELLETIRE: Okay, thank you.

23 CHAIRMAN BIBLE: I don't think we have any further
24 business to come before us today.

25 MR. MCCARTHY: Does Mr. Wang want to testify?

26 CHAIRMAN BIBLE: I don't believe so. I think he came
27 in for a 7:00 meeting. There being no further business, the
28 meeting is adjourned.